

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Unit Name		County	
Fiscal Year End		Opinion Date			Date Audit Report Submitted to State		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

Birmingham Area Cable Board

**Financial Report
with Supplemental Information
June 30, 2007**

Birmingham Area Cable Board

Contents

Report Letter	I
Management's Discussion and Analysis	2-5
Basic Financial Statements	
Governmental Fund Balance Sheet/Statement of Net Assets	6
Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	7
Notes to Financial Statements	8-13
Required Supplemental Information	14
Budgetary Comparison Schedule - General Fund	15



Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Board Members
Birmingham Area Cable Board

We have audited the accompanying financial statements of the governmental activities and General Fund of Birmingham Area Cable Board as of June 30, 2007 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the Birmingham Area Cable Board at June 30, 2007 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule, identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

October 3, 2007

Birmingham Area Cable Board

Management's Discussion and Analysis

Our discussion and analysis of Birmingham Area Cable Board's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Authority's financial statements.

Using this Annual Report

This annual report consists of three parts: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplemental information. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

The basic financial statements include information that presents two different views of the Authority.

- The first column of the financial statements includes information on the Authority's General Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Authority's sources and uses of funds.
- The adjustments column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method of accounting.
- The third column presents the Authority's operations on a full accrual basis, which provides both long- and short-term information about the Authority's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

Birmingham Area Cable Board

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The following tables below show key financial information in a condensed format for the government-wide statement of net assets and the statement of activities:

	June 30	
	2007	2006
Assets		
Current assets	\$ 1,342,116	\$ 1,037,522
Capital assets - Net	<u>127,153</u>	<u>145,227</u>
Total assets	1,469,269	1,182,749
Liabilities - Accounts payable	<u>-</u>	<u>4,483</u>
Net Assets		
Invested in capital assets	127,153	145,227
Unrestricted	<u>1,342,116</u>	<u>1,033,039</u>
Total net assets	<u>\$ 1,469,269</u>	<u>\$ 1,178,266</u>
	Year Ended June 30	
	2007	2006
Revenue		
Franchise fees	\$ 210,877	\$ 183,101
PEG fees	316,315	271,361
Other	<u>37,339</u>	<u>10,967</u>
Total revenue	564,531	465,429
Expenses		
PEG operations	150,776	152,941
Board expenditures	<u>122,752</u>	<u>101,464</u>
Total expenses	<u>273,528</u>	<u>254,405</u>
Change in Net Assets	<u>\$ 291,003</u>	<u>\$ 211,024</u>

Birmingham Area Cable Board

Management's Discussion and Analysis (Continued)

The Authority as a Whole

- The Authority reports net assets of \$1,469,269 this year on a full accrual basis, as compared to a fund balance of \$1,342,116 on the modified accrual basis of accounting.
- The Authority's primary source of revenue is from franchise and PEG fees. For 2007, total fees collected were \$527,192. This represents approximately 93 percent of total revenue.
- The largest expenditure of the Authority is for the agreement with Bloomfield Community Television (BCTV). For 2007, this expenditure was \$79,997, representing approximately 29 percent of the Authority's total expenditures.
- Total expenditures for the entire year under the modified accrual basis of accounting were approximately \$255,000.
- The Authority's conversion to meet GASB 34 standards, which includes capitalization of Authority-owned assets and associated depreciation expense, is reflected in the statement of activities on page 7 of this financial report.

The Authority's Fund

Our analysis of the Authority's General Fund is included on pages 6 and 7 in the first column of the respective statements. The fund column provides detailed information about the General Fund on a modified accrual method, which is a short-term perspective measuring the flow of financial resources, not the Authority's operations on a full accrual basis of accounting, which provides a longer-term measurement of total economic resources. The Authority's only fund is the General Fund. The fund balance of the General Fund increased by approximately \$309,000 for the year.

Authority Budgetary Highlights

Over the course of the year, the Authority's board amended the budget to take into account events that occurred during the year. The most significant amendments occurred in attorney fees and capital outlay. The following is a summary of budgetary highlights:

- Operating expenses were amended during the year for additional costs related to the survey conducted to determine the level of viewership of the Municipal/Library Access Channel and the Public Access channel and to solicit ideas for additional programming.
- Attorney fees escalated due to increased legal support required to respond to major national and state cable legislation. Legal services were also utilized for the new contract for programming services from BCTV.

Birmingham Area Cable Board

Management's Discussion and Analysis (Continued)

- Conference expenses also exceeded the original budget due to the necessity to send representatives to an additional conference in the Washington suburbs to ascertain the full impact of federal legislation.

Capital Assets and Debt Administration

At the end of the year, the Authority had approximately \$127,000 invested in the production van and equipment. In 2007, the Authority added approximately \$5,900 to the production van and equipment, consisting mainly of playback decks, microphones, and video character generator.

The Authority carries no long-term debt.

Economic Factors and Next Year's Budget and Rates

The Authority's budget for the 2008 fiscal year increased from 2007. Revenues are anticipated to increase reflecting price increases anticipated by the cable provider. It is not known what implications will be experienced with AT&T expanding its cable TV marketing thrust. Expenditures were increased in several areas, the most significant ones relative to production of cable programs. This includes the cost of the new contract with BCTV, the planned purchase of a new production van with some new equipment, and equipment to enhance the bulletin boards for Channels 15 and 18. The board also increased the line item attributed to grants.

Contacting the Authority's Management

If you have questions about this report or need additional information, we welcome you to contact the director, Kathy Hagaman, at 248-336-9445 or via email at khagaman@comcast.net.

Birmingham Area Cable Board

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2007

	General Fund - Modified Accrual Basis	Adjustments (Note 7)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash and investments (Note 2)	\$ 1,063,503	\$ -	\$ 1,063,503
Amount on deposit at the Village of Beverly Hills (Note 3)	140,929	-	140,929
Due from communities for franchise and PEG fees:			
Birmingham	92,726	-	92,726
Beverly Hills	38,993	-	38,993
Bingham Farms	5,965	-	5,965
Fixed assets (Note 4)	-	127,153	127,153
Total assets	<u>\$ 1,342,116</u>	127,153	1,469,269
Fund Balance - Unreserved/Undesignated	<u>\$ 1,342,116</u>	(1,342,116)	-
Net Assets			
Invested in capital assets		127,153	127,153
Unrestricted		<u>1,342,116</u>	<u>1,342,116</u>
Total net assets		<u>\$ 1,469,269</u>	<u>\$ 1,469,269</u>

Birmingham Area Cable Board

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2007

	General Fund - Modified Accrual Basis	Adjustments (Note 7)	Statement of Activities - Full Accrual Basis
Revenue			
Franchise fees:			
Birmingham	\$ 132,359	\$ -	\$ 132,359
Beverly Hills	56,095	-	56,095
Franklin Village	13,555	-	13,555
Bingham Farms	8,868	-	8,868
PEG fees:			
Birmingham	198,539	-	198,539
Beverly Hills	84,143	-	84,143
Franklin Village	20,332	-	20,332
Bingham Farms	13,301	-	13,301
Other	37,339	-	37,339
Total revenue	564,531	-	564,531
Expenditures			
PEG operations:			
BCTV PEG	79,997	-	79,997
Grants	40,000	-	40,000
Capital outlay	6,339	(5,906)	433
Depreciation	-	23,980	23,980
Mobile van	6,366	-	6,366
Board expenditures:			
Recording secretary	3,605	-	3,605
Executive director	32,147	-	32,147
Operating expenses	15,654	-	15,654
Attorney fees	47,736	-	47,736
Audit fees	5,535	-	5,535
Insurance	8,160	-	8,160
Comcast	-	-	-
Advertising and promotions	2,928	-	2,928
Memberships	1,390	-	1,390
Conferences	5,597	-	5,597
Total expenditures	255,454	18,074	273,528
Excess of Revenue Over Expenditures/Change in Net Assets	309,077	(18,074)	291,003
Fund Balance/Net Assets - Beginning of year	1,033,039	145,227	1,178,266
Fund Balance/Net Assets - End of year	\$ 1,342,116	\$ 127,153	\$ 1,469,269

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Birmingham Area Cable Board (the "Authority") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

Birmingham Area Cable Board was created through an interlocal agreement between the City of Birmingham and the Villages of Beverly Hills, Bingham Farms, and Franklin (the "Parties"). The Authority was organized to obtain for the citizens of the Parties and to thereafter maintain for those citizens the highest quality of cable communication service at the lowest reasonable cost in accordance with franchise agreements and established ordinances. The Authority is operated by a 13-member board; seven representatives are appointed by the City of Birmingham, four representatives are appointed by the Village of Beverly Hills, one representative from the Village of Bingham Farms, and one representative from the Village of Franklin. As required by accounting principles generally accepted in the United States of America, these financial statements present Birmingham Area Cable Board. No other component units have been combined into the Authority's basic financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority's basic financial statements include both the Authority's full accrual financial statements and modified accrual financial statements.

Full Accrual Financial Statements

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables. The Authority's net assets are reported in two parts - invested in capital assets and unrestricted net assets.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Modified Accrual Financial Statements

The modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Fixed Assets - Fixed assets are defined by the Authority as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Production van	5-20 years
Equipment	5-10 years

PEG Activity - The Authority's cable provider has established three channels for public, education, and government (PEG) use. The public and governmental channels are administered by the Authority and the educational channel is administered by Birmingham School District. In order to fund the administration of these channels, the Authority receives financial support in the form of PEG fees from its cable provider in the amount of 3 percent of the cable provider's gross revenue. These funds are used on PEG-related projects. The PEG fees are allocated among the various member communities in the same manner as franchise fees. The member communities remit the PEG fees they collect to the Authority. A portion of these PEG fees can be allocated to the Parties and Birmingham School District upon a grant request.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2007

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Authority is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated two banks for the deposit of its funds. The investment policy adopted by the Authority in accordance with Public Act 196 of 1997 has authorized investment in all investments permissible under Michigan Compiled Laws Section 129.92 (Public Act 20 of 1943, as amended) as listed above. The Authority's deposits and investment policies are in accordance with statutory authority.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had approximately \$739,000 of bank deposits (checking account and certificates of deposit) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates the financial institutions with which it deposits funds and assesses the level of risk of the institutions; only institutions with an acceptable estimated risk level are used as depositories.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2007

Note 2 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturity of investments is as follows:

<u>Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Government agency securities	\$ 118,276	215 days

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Pooled investments	\$ 6,532	AAA	Standard and Poors

Note 3 - Amount on Deposit at the Village of Beverly Hills

Franchise fees collected by the Parties are remitted to the Village of Beverly Hills. The Village of Beverly Hills uses these funds to pay for the Authority's monthly expenditures. The amount on deposit at the Village of Beverly Hills is the excess of the franchise fees collected over monthly expenditures.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2007

Note 4 - Fixed Assets

A summary of changes in fixed assets is as follows:

	Balance - Beginning of Year	Additions	Deletions	Balance - End of Year
Production van	\$ 189,844	\$ 790	\$ -	\$ 190,634
Equipment	<u>73,234</u>	<u>5,116</u>	<u>-</u>	<u>78,350</u>
Total	263,078	5,906	-	268,984
Accumulated depreciation	<u>(117,851)</u>	<u>(23,980)</u>	<u>-</u>	<u>(141,831)</u>
Net book value	<u>\$ 145,227</u>	<u>\$ (18,074)</u>	<u>\$ -</u>	<u>\$ 127,153</u>

Note 5 - Budget Information

The annual budget is prepared by the Authority and adopted by the Authority's board; subsequent amendments are approved by the board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2007 has not been calculated. There were no amendments during the current year.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted in total for revenues and expenditures; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted is included in the required supplemental information budgetary comparison schedule - General Fund. Line item detail is shown in this budget for analytical purposes only.

Note 6 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Authority has purchased commercial insurance for claims relating to general liability and property. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2007

Note 7 - Reconciliation of Modified Accrual Financial Statements to the Full Accrual Financial Statements

Total fund balance and the net change in fund balance of the Authority's General Fund differ from net assets and change in net assets of the Authority's activities reported in the governmental fund balance sheet/statement of net assets and the statement of governmental revenue, expenditures, and changes in fund balance/statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the General Fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$1,342,116
--	--------------------

Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds	<u>127,153</u>
--	----------------

Net Assets - Full Accrual Basis	<u>\$1,469,269</u>
--	---------------------------

Net Change in Fund Balances - Modified Accrual Basis	\$ 309,077
---	-------------------

Amounts reported in the statement of activities are different because capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	5,906
Depreciation	<u>(23,980)</u>

Change in Net Assets - Full Accrual Basis	<u>\$ 291,003</u>
--	--------------------------

Required Supplemental Information

Birmingham Area Cable Board

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Franchise fees:				
Birmingham	\$ 103,159	\$ 103,159	\$ 132,359	\$ 29,200
Beverly Hills	44,310	44,310	56,095	11,785
Franklin Village	13,520	13,520	13,555	35
Bingham Farms	9,277	9,277	8,868	(409)
PEG fees:				
Birmingham	158,760	158,760	198,539	39,779
Beverly Hills	67,184	67,184	84,143	16,959
Franklin Village	21,736	21,736	20,332	(1,404)
Bingham Farms	10,816	10,816	13,301	2,485
Other	22,500	22,500	37,339	14,839
Total revenue	451,262	451,262	564,531	113,269
Expenditures				
PEG operations:				
BCTV PEG	100,000	117,000	79,997	37,003
Grants	37,000	40,000	40,000	-
Capital outlay	25,000	5,000	6,339	(1,339)
Mobile van	2,000	10,000	6,366	3,634
Programming	10,000	-	-	-
Board expenditures:				
Recording secretary	3,900	3,900	3,605	295
Executive director	25,000	32,900	32,147	753
Operating expenses	16,000	19,450	15,654	3,796
Attorney fees	30,000	55,000	47,736	7,264
Audit fees	6,500	5,600	5,535	65
Insurance	8,500	8,000	8,160	(160)
Advertising and promotions	500	500	2,928	(2,428)
Memberships	5,500	7,500	1,390	6,110
Conferences	3,200	4,100	5,597	(1,497)
Total expenditures	273,100	308,950	255,454	53,496
Net Change in Fund Balance	178,162	142,312	309,077	166,765
Fund Balance - Beginning of year	1,033,039	1,033,039	1,033,039	-
Fund Balance - End of year	<u>\$1,211,201</u>	<u>\$1,175,351</u>	<u>\$ 1,342,116</u>	<u>\$ 166,765</u>

Note: Line-item budget information presented is for analytical purposes only. The budget was adopted in total for revenues and expenditures.



Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

October 3, 2007

To the Birmingham Area Cable Board
P.O. Box 165
Birmingham, MI 48012

Dear Board Members:

In planning and performing our audit of the financial statements of Birmingham Area Cable Board as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the following control deficiency to be a significant deficiency:

In the current year, bank reconciliations were not performed on a timely basis. While the bank statements are reviewed on a monthly basis, a complete bank reconciliation is not performed. Complete and timely bank reconciliations are an extremely important part of an effective internal control structure. Bank reconciliations should be performed on a monthly basis in order to discover any errors or irregularities in a timely fashion. To further strengthen controls, reconciliations should also be reviewed by someone independent of the reconciliation process.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the deficiency described above is not a material weakness.

New Audit Standards - The following new audit standards, issued by the American Institute of Certified Public Accountants (AICPA) Auditing Standards Board, have been implemented for the Authority's June 30, 2007 year end:

- **Statement on Auditing Standards No. 103 - *Audit Documentation*** - This standard clarifies and increases the requirements that auditors must follow in obtaining, managing, and retaining documentation that supports the audit opinion. It prescribes the form, content, and extent of audit documentation necessary to support the audit work. It also redefines the method used to determine the dating of the auditor's report and creates a "lock down" date for the audit file.

The impact of this new standard resulted in increased requests for audit documentation and dating the opinion letter later than in previous years.

- **Statement on Auditing Standards No. 112 - *Communicating Internal Control Related Matters Identified in an Audit*** - This standard establishes standards and provides guidance regarding the auditor's communication responsibility to those charged with governance (i.e., council or finance/audit committee) concerning significant deficiencies and material weaknesses in internal control noted in a financial statement audit. The standard defines internal control deficiency, significant deficiency (this term replaces the term "reportable condition"), and material weakness. Internal control deficiencies that constitute significant deficiencies and material weaknesses will be reported, in writing, to those charged with governance and will be made no later than 60 days following the release date of the auditor's report on the financial statements.

The impact of this new standard resulted in a significant deficiency being reported due to the lower threshold for reporting internal control deficiencies.

In addition to the two new auditing standards listed above, eight auditing standards will be effective for the Authority's June 30, 2008 year end. Statement on Auditing Standards No. 104 to 111 (the Risk Assessment Standards) will substantially impact and change the future audit process. We are currently evaluating the specific impact and changes of these standards on our audit process. We will keep you apprised of our progress.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Beth Bialy". The signature is written in a cursive, flowing style.

Beth A. Bialy

A handwritten signature in black ink that reads "Monika M. Lesinski". The signature is written in a cursive, flowing style.

Monika Lesinski